

DES MOINES COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

DES MOINES COUNTY, IOWA

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DES MOINES COUNTY, IOWA

OFFICIALS

Robert Beck	Board of Supervisors	January 2017
Tom Broeker	Board of Supervisors	January 2019
Jim Cary	Board of Supervisors	January 2017
Carol Copeland	County Auditor	January 2017
Janelle Nalley-Londquist	County Treasurer	January 2019
Lisa Schreiner	County Recorder	January 2019
Mike Johnstone	County Sheriff	January 2017
Amy Beavers	County Attorney	January 2019
Matt Warner	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Officials of
Des Moines County, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County, Iowa as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the county's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County, Iowa, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 38 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2011 (which are not presented herein) were audited by other auditors, who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2017, on our consideration of Des Moines County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Des Moines County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Des Moines County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- ◆ County revenue decreased 7.95%, or \$2,028,350 from fiscal year 2015 to 2016.
- ◆ County program expenses were 4.50%, or \$936,204 more in fiscal year 2016 than in 2015.
- ◆ The County's net position increased 3.86%, or \$1,740,676, during the year ended June 30, 2016.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Des Moines County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Des Moines County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position of governmental activities.

Net Position of Governmental Activities

	June 30, 2016	June 30, 2015
Current and other assets	\$ 30,167,859	\$ 29,078,047
Capital assets	<u>37,833,466</u>	<u>38,758,837</u>
Total assets	<u>68,001,325</u>	<u>67,836,884</u>
Deferred outflows of resources	<u>888,555</u>	<u>906,233</u>
Long-term liabilities	5,260,889	5,252,237
Other liabilities	<u>2,048,701</u>	<u>2,048,022</u>
Total liabilities	<u>7,309,590</u>	<u>7,300,259</u>
Deferred inflows of resources	<u>14,735,407</u>	<u>16,338,651</u>
Net position:		
Net investment in capital assets, Net of related debt	36,943,466	37,578,101
Restricted	11,343,703	10,527,735
Unrestricted	<u>(1,442,286)</u>	<u>(3,001,629)</u>
Total net position	\$ <u>46,844,883</u>	\$ <u>45,104,207</u>

Net position of the County's governmental activities increased by 3.86% (\$46,844,883 compared to \$45,104,207). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from (\$3,001,629) at June 30, 2015 to (\$1,442,286) at June 30, 2016, an increase of 51.95%.

Changes in Net Position of Governmental Activities

	June 30, <u>2016</u>	June 30, <u>2015</u>
Revenues:		
Program revenues:		
Charges for service	\$ 2,689,433	\$ 2,460,269
Operating grants, contributions and restricted interest	3,799,561	3,970,559
Capital grants, contributions and restricted interest	136,506	1,889,054
General revenues:		
Property and other County tax	13,151,785	13,356,676
Penalty and interest on property tax	120,941	122,483
State tax credits	1,238,792	1,048,156
Local option sales tax	1,943,396	1,827,816
Unrestricted investment earnings	117,046	103,927
Other general revenues	<u>294,398</u>	<u>741,268</u>
Total revenues	<u>23,491,858</u>	<u>25,520,208</u>
Program expenses:		
Public safety and legal services	6,226,540	6,306,631
Physical health and social services	1,312,394	1,288,823
Mental health	2,116,776	1,712,046
County environment and education	1,475,925	793,297
Roads and transportation	6,471,097	6,461,428
Governmental services to residents	963,431	941,286
Administration	3,142,926	3,263,553
Interest on long-term debt	<u>42,093</u>	<u>47,914</u>
Total expenses	<u>21,751,182</u>	<u>20,814,978</u>
Change in net position	1,740,676	4,705,230
Net position – Beginning of year	<u>45,104,207</u>	<u>40,398,977</u>
Net position – End of year	\$ <u>46,844,883</u>	\$ <u>45,104,207</u>

The results of governmental activities for the year resulted in Des Moines County, Iowa's net position increasing by \$1,740,676. Revenues for governmental activities decreased by \$2,028,350 from the prior year, including decreases in capital grants, contributions and restricted interest. Expenditures increased by \$936,204 including increases in mental health and county environment and education expenses.

The cost of all governmental activities this year was \$21,751,182 compared to \$20,814,978 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities through County taxes was only \$15,125,682 because some of the cost was paid by those directly benefited from the programs (\$2,689,433) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,936,067).

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$14,960,496, which is an increase of \$1,373,640 from last year's total of \$13,586,856. The majority of the increase is due to an increase in revenues in the current year.

- General Fund revenues decreased by 20.2% and expenditures decreased 5.6%, when compared to the prior year. The ending fund balance showed an increase from the prior year of \$850,710 (\$1,006,973 in prior year) from \$4,421,566 to \$5,272,276.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,541,594, an increase of 40.6% from the prior year. The Mental Health Fund balance at year end decreased by \$145,635 (increased \$842,789 in prior year) from the prior year due to increased expenditures compared to prior year.

- Secondary Roads Fund revenues increased \$735,389 from the prior year. As a result, there was an increase in the Secondary Roads Fund ending balance of \$975,458, or 23.6%.
- Rural Services Fund revenues increased \$113,177 and expenses increased by \$288,720 from the previous year and its ending fund balance decreased from the prior year by \$4,293 (increased \$237,205 in prior year) to \$750,240.
- During the year ended June 30, 2016, debt service revenues increased \$2,277,734 and expenditures increased \$3,036. At the end of the year, the ending fund balance in the Debt Service Fund had decreased by \$331,050 (\$410,851 in prior year) to \$652,926.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County, Iowa amended its budget one time. As a result of the amendment, receipts were increased by \$461,944 (\$461,944 increase in intergovernmental receipts) and disbursements were increased by \$1,971,887 (\$1,388,871 increase in capital projects). The amendment was made on April 26, 2016. The County underspent its original budget of \$26,935,132 by \$2,565,979.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Des Moines County, Iowa had \$37,833,466 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This amount represents a net decrease (including additions, deletions and depreciation/amortization) of \$925,371 or 2.39% less than the prior year. The majority of this decrease was due to a decrease in infrastructure additions in the current year.

Capital Assets of Governmental Activities at Year End

	June 30, <u>2016</u>	June 30, <u>2015</u>
Land	\$ 5,409,769	\$ 5,409,769
Intangibles (net)	291,236	149,051
Construction in progress	1,734,691	1,583,283
Buildings and improvements (net)	4,158,726	4,448,200
Equipment and vehicles (net)	3,469,756	3,780,900
Infrastructure (net)	<u>22,769,288</u>	<u>23,387,634</u>
Totals	\$ <u>37,833,466</u>	\$ <u>38,758,837</u>
The year's major additions included:		
Construction in progress	\$ 151,408	\$ 184,637
Buildings and improvements	39,485	124,287
Infrastructure	554,691	1,765,785
Machinery and equipment	571,448	1,417,862
Intangibles, other	<u>142,185</u>	<u>775,156</u>
	\$ <u>1,459,217</u>	\$ <u>4,267,727</u>

The County had depreciation/amortization expense of \$2,351,411 for the year ended June 30, 2016, and total accumulated depreciation/amortization as of June 30, 2016 of \$37,458,681.

Long-term Debt

At June 30, 2016, the County had \$1,450,000 in general obligation notes and other debt compared to \$2,160,736 at June 30, 2015, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	June 30, <u>2016</u>	June 30, <u>2015</u>
General obligation capital loan notes	\$ 1,450,000	\$ 2,155,000
Capital leases	-	5,736
Totals	\$ <u>1,450,000</u>	\$ <u>2,160,736</u>

During the current year no general obligation capital loan notes were issued and \$705,000 was paid on existing County debt.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$77,664,606. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Des Moines County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2017 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of June 2016) now stands at 5.5% versus 4.6% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

Inflation in the State is lower than the national Consumer Price Index increase. The State's CPI increase was 2.238% for the twelve month period ended June 2016 compared with the national increase of 2.400%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are increasing by \$696,417 compared to the final fiscal year 2016 budget. Intergovernmental revenues are expected to make up the majority of this increase. Budgeted disbursements are expected to increase by \$684,009 compared to the final fiscal year 2016 budget. Increases in debt service and capital projects expenditures represent the majority of the increase. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$2,890,109 by the close of fiscal year 2017.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Des Moines County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

BASIC FINANCIAL STATEMENTS

DES MOINES COUNTY, IOWA

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
ASSETS:	
Cash, cash equivalents and pooled investments	\$ 14,160,069
Receivables:	
Property tax:	
Delinquent	54,860
Succeeding year	13,848,448
Interest and penalty on property tax	373,356
Accounts	81,395
Interest	13,344
Loan	560,000
Due from other governments	878,303
Inventories	198,084
Capital assets (net of accumulated depreciation/amortization)	37,833,466
Total assets	<u>68,001,325</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>888,555</u>
LIABILITIES:	
Accounts payable	715,312
Salaries and benefits payable	194,864
Due to other governments	20,523
Accrued interest	2,186
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	720,000
Early retirement	12,442
Compensated absences	383,374
Portion due or payable after one year:	
General obligation notes	730,000
Early retirement	16,460
Compensated absences	451,069
Net OPEB liability	40,086
Net pension liability	4,023,274
Total liabilities	<u>7,309,590</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable property tax revenue	13,848,448
Pension related deferred inflows	886,959
Total deferred inflows of resources	<u>14,735,407</u>
NET POSITION:	
Net investment in capital assets	36,943,466
Restricted for:	
Mental health	3,120,679
Secondary roads	5,116,434
Rural services	750,240
Supplemental levy	1,655,483
Debt service	652,926
Other purposes	47,941
Unrestricted	(1,442,286)
Total net position	<u>\$ 46,844,883</u>

DES MOINES COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

			Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service			
<u>FUNCTIONS/PROGRAMS:</u>					
Governmental activities:					
Public safety and legal services	\$ 6,226,540	\$ 764,527	\$ 80,378	\$ -	\$ (5,381,635)
Physical health and social services	1,312,394	331,177	204,982	-	(776,235)
Mental health	2,116,776	487,462	-	-	(1,629,314)
County environment and education	1,475,925	124,204	15,221	136,506	(1,199,994)
Roads and transportation	6,471,097	199,132	3,406,937	-	(2,865,028)
Governmental services to residents	963,431	729,243	92,043	-	(142,145)
Administration	3,142,926	53,688	-	-	(3,089,238)
Interest on longterm debt	42,093	-	-	-	(42,093)
Total	\$ 21,751,182	\$ 2,689,433	\$ 3,799,561	\$ 136,506	(15,125,682)
<u>GENERAL REVENUES:</u>					
Property and other County tax levied for:					
General purposes					10,788,922
Debt service					2,362,863
Local option sales tax					1,943,396
Penalty and interest on property tax					120,941
State tax credits and replacements					1,238,792
Unrestricted investment earnings					117,046
Miscellaneous					294,398
Total general revenues					16,866,358
Change in net position					1,740,676
<u>NET POSITION</u> - Beginning of year					45,104,207
<u>NET POSITION</u> - End of year					\$ 46,844,883

DES MOINES COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

		Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services	
<u>ASSETS</u>					
Cash, cash equivalents and pooled investments	\$ 5,141,179	\$ 3,196,423	\$ 4,990,772	\$ 685,549	
Receivables:					
Property tax:					
Delinquent	30,607	3,493	-	8,501	
Succeeding year	7,726,252	881,824	-	2,145,752	
Interest and penalty on property tax	373,356	-	-	-	
Accounts	62,485	20	2,892	15,425	
Accrued interest	13,341	-	-	-	
Loan	-	-	-	-	
Due from other governments	394,862	13,485	408,009	61,947	
Inventories	-	-	198,084	-	
TOTAL ASSETS	\$ 13,742,082	\$ 4,095,245	\$ 5,599,757	\$ 2,917,174	
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 185,410	\$ 83,535	\$ 429,069	\$ 11,443	
Salaries and benefits payable	135,893	3,510	54,223	1,238	
Due to other governments	18,288	2,204	31	-	
Total liabilities	339,591	89,249	483,323	12,681	
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Unavailable revenues:					
Succeeding year property tax	7,726,252	881,824	-	2,145,752	
Other	403,963	3,493	-	8,501	
Total deferred inflows of resources	8,130,215	885,317	-	2,154,253	
<u>FUND BALANCES:</u>					
Nonspendable:					
Inventories	-	-	198,084	-	
Restricted for:					
Debt service	-	-	-	-	
Supplemental levy purposes	1,655,483	-	-	-	
Mental health	-	3,120,679	-	-	
Secondary roads	-	-	4,918,350	-	
Rural services	-	-	-	750,240	
Other purposes	125,076	-	-	-	
Assigned for:					
County attorney collections	111,863	-	-	-	
Geographic information system	69,494	-	-	-	
Correctional facility	72,453	-	-	-	
Sheriff reserve officers	16,780	-	-	-	
Transitional apartments	40,276	-	-	-	
Emergency water reserve	53,164	-	-	-	
Case Management	152,573	-	-	-	
Residential Care Facility	25,996	-	-	-	
Law Library	4,098	-	-	-	
Other purposes	25,922	-	-	-	
Unassigned	2,919,098	-	-	-	
Total fund balances	5,272,276	3,120,679	5,116,434	750,240	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,742,082	\$ 4,095,245	\$ 5,599,757	\$ 2,917,174	

See Notes to Financial Statements

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 98,781	\$ 47,365	\$ 14,160,069
12,259	-	54,860
3,094,620	-	13,848,448
-	-	373,356
-	573	81,395
-	3	13,344
560,000	-	560,000
-	-	878,303
-	-	198,084
<u>\$ 3,765,660</u>	<u>\$ 47,941</u>	<u>\$ 30,167,859</u>
\$ 5,855	\$ -	\$ 715,312
-	-	194,864
-	-	20,523
<u>5,855</u>	<u>-</u>	<u>930,699</u>
3,094,620	-	13,848,448
12,259	-	428,216
<u>3,106,879</u>	<u>-</u>	<u>14,276,664</u>
-	-	198,084
652,926	-	652,926
-	-	1,655,483
-	-	3,120,679
-	-	4,918,350
-	-	750,240
-	47,941	173,017
-	-	111,863
-	-	69,494
-	-	72,453
-	-	16,780
-	-	40,276
-	-	53,164
-	-	152,573
-	-	25,996
-	-	4,098
-	-	25,922
-	-	2,919,098
<u>652,926</u>	<u>47,941</u>	<u>14,960,496</u>
<u>\$ 3,765,660</u>	<u>\$ 47,941</u>	<u>\$ 30,167,859</u>

DES MOINES COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$	14,960,496
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$75,292,147 and the accumulated depreciation/amortization is \$37,458,681.

37,833,466

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

428,216

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$	888,555	
Deferred inflows of resources		<u>(886,959)</u>	1,596

Long-term liabilities, including accrued interest payable, general obligation capital loan notes, compensated absences, early retirement, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(6,378,891)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>46,844,883</u>
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DES MOINES COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

		<u>Special Revenue</u>	
	<u>General</u>	<u>Mental Health</u>	<u>Secondary Roads</u>
<u>REVENUES:</u>			
Property and other county tax	\$ 7,512,507	\$ 1,233,747	\$ -
Interest and penalty on property tax	120,941	-	-
Local option sales tax	583,019	-	971,698
Intergovernmental	2,485,149	143,956	3,513,400
Licenses and permits	41,404	-	12,360
Charges for service	961,352	-	61
Use of money and property	203,826	-	-
Miscellaneous	453,183	18,256	80,248
Total revenues	<u>12,361,381</u>	<u>1,395,959</u>	<u>4,577,767</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	6,035,511	-	-
Physical health and social services	1,419,318	-	-
Mental health	449,679	1,541,594	-
County environment and education	992,678	-	-
Roads and transportation	-	-	4,034,503
Governmental services to residents	979,459	-	-
Administration	3,161,760	-	-
Debt service	-	-	-
Capital projects	423,220	-	1,471,302
Total expenditures	<u>13,461,625</u>	<u>1,541,594</u>	<u>5,505,805</u>
Excess (deficiency) of revenues over (under) expenditures	(1,100,244)	(145,635)	(928,038)
Other financial sources (uses):			
Operating transfers in	2,194,897	-	1,903,496
Operating transfers out	(243,943)	-	-
Total other financing sources (uses)	<u>1,950,954</u>	<u>-</u>	<u>1,903,496</u>
Change in fund balances	850,710	(145,635)	975,458
<u>FUND BALANCES</u> - Beginning of year	<u>4,421,566</u>	<u>3,266,314</u>	<u>4,140,976</u>
<u>FUND BALANCES</u> - End of year	\$ <u>5,272,276</u>	\$ <u>3,120,679</u>	\$ <u>5,116,434</u>

<u>Special Revenue</u>		<u>Debt</u>	<u>Nonmajor</u>	
<u>Rural</u>		<u>Service</u>	<u>Governmental</u>	
<u>Services</u>			<u>Funds</u>	<u>Total</u>
\$ 1,975,847	\$ 2,362,653	\$ -	\$ 13,084,754	
-	-	-	120,941	
388,679	-	-	1,943,396	
111,713	237,557	22,223	6,513,998	
-	-	-	53,764	
-	-	6,620	968,033	
-	17,585	20	221,431	
-	-	-	551,687	
<u>2,476,239</u>	<u>2,617,795</u>	<u>28,863</u>	<u>23,458,004</u>	
165,433	-	-	6,200,944	
-	-	-	1,419,318	
-	-	-	1,991,273	
357,482	-	-	1,350,160	
298,064	-	-	4,332,567	
-	-	413	979,872	
-	-	-	3,161,760	
-	753,948	-	753,948	
-	-	-	1,894,522	
<u>820,979</u>	<u>753,948</u>	<u>413</u>	<u>22,084,364</u>	
1,655,260	1,863,847	28,450	1,373,640	
-	-	-	4,098,393	
<u>(1,659,553)</u>	<u>(2,194,897)</u>	<u>-</u>	<u>(4,098,393)</u>	
<u>(1,659,553)</u>	<u>(2,194,897)</u>	<u>-</u>	<u>-</u>	
(4,293)	(331,050)	28,450	1,373,640	
<u>754,533</u>	<u>983,976</u>	<u>19,491</u>	<u>13,586,856</u>	
\$ <u>750,240</u>	\$ <u>652,926</u>	\$ <u>47,941</u>	\$ <u>14,960,496</u>	

DES MOINES COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,373,640

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year as follows:

Expenditures for capital assets	\$ 1,459,217	
Depreciation/amortization expense	<u>(2,351,411)</u>	(892,194)

In the statement of activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (33,177)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax	67,031
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Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year debt repayments are as follows:

Repaid	710,736
--------	---------

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 717,247

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	20,098	
Interest on long-term debt	1,119	
Compensated absences	61,612	
Other Post Employment Benefits	10,104	
Pension Expense	<u>(295,540)</u>	<u>(202,607)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,740,676

DES MOINES COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2016ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 4,313,061
Other County officials	183,495

Receivables:

Accounts receivable	48,603
Accrued interest	304

Property tax receivable:

Delinquent	173,174
Succeeding year	43,714,230

Due from other governments	86,066
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Total assets	<u>48,518,933</u>
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LIABILITIES

Accounts payable	74,722
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Due to other governments	48,261,015
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Salaries and benefits payable	7,397
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Compensated absences	43,056
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Trusts payable	<u>132,743</u>
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Total liabilities	<u>48,518,933</u>
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NET POSITION	\$ <u>-</u>
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DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Des Moines County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Des Moines County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission and Des Moines County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County, Iowa and the City of Burlington, Iowa.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment, and intangibles are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	10-65
Buildings	20-50
Building improvements	20-50
Intangibles	3-20
Equipment	3-20
Vehicles	5-15

Certain intangible assets are not amortized, but rather reviewed at least annually for impairment. During the fiscal year ended June 30, 2016, there were no adjustments made for impairment.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the county after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$20,269 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads Fund	General Fund	\$ 243,943
	Special Revenue: Rural Services Fund	1,659,553
General fund	Debt Service Fund	<u>2,194,897</u>
Total		\$ <u>4,098,393</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 5,409,769	\$ -	\$ -	\$ 5,409,769
Intangibles, road network	141,633	-	-	141,633
Intangibles, other	7,418	142,185	-	149,603
Construction in progress, other	<u>1,583,283</u>	<u>151,408</u>	-	<u>1,734,691</u>
Total capital assets not being depreciated/amortized	<u>7,142,103</u>	<u>293,593</u>	-	<u>7,435,696</u>
Capital assets being depreciated/ amortized:				
Buildings	7,492,405	39,485	-	7,531,890
Improvements other than buildings	2,211,204	-	-	2,211,204
Equipment and vehicles	10,730,261	571,448	355,108	10,946,601
Intangibles, other	162,756	-	55,000	107,756
Infrastructure, road network	43,937,248	554,691	-	44,491,939
Infrastructure, other	<u>2,567,061</u>	<u>-</u>	<u>-</u>	<u>2,567,061</u>
Total capital assets being depreciated/amortized	<u>67,100,935</u>	<u>1,165,624</u>	<u>410,108</u>	<u>67,856,451</u>
Less accumulated depreciation/ amortization for:				
Buildings	4,002,643	261,206	-	4,263,849
Improvements other than buildings	1,252,766	67,753	-	1,320,519
Equipment and vehicles	6,949,361	849,415	321,931	7,476,845
Intangibles, other	162,756	-	55,000	107,756
Infrastructure, road network	22,782,132	1,122,613	-	23,904,745
Infrastructure, other	<u>334,543</u>	<u>50,424</u>	<u>-</u>	<u>384,967</u>
Total accumulated depreciation/ amortization	<u>35,484,201</u>	<u>2,351,411</u>	<u>376,931</u>	<u>37,458,681</u>
Total capital assets being depreciated/amortized, net	<u>31,616,734</u>	<u>(1,185,787)</u>	<u>33,177</u>	<u>30,397,770</u>
Governmental activities capital assets, net	\$ <u>38,758,837</u>	\$ <u>(892,194)</u>	\$ <u>33,177</u>	\$ <u>37,833,466</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 244,590
Physical health and social services	22,188
Mental health	125,503
County environment and education	153,675
Roads and transportation	1,653,880
Governmental services to residents	1,059
Administration	<u>150,516</u>
Total depreciation/amortization expense – governmental activities	\$ <u>2,351,411</u>

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 18,288
Special Revenue:		
Mental Health	Services	2,204
Secondary Roads		31
		<u>20,523</u>
Total for governmental funds		\$ <u>20,523</u>
Agency:		
Schools	Collections	\$ 22,994,889
Corporations		18,227,088
Community colleges		1,828,717
Auto license and use tax		1,036,727
County assessor		2,323,643
Townships		348,997
Agricultural extension education		288,620
All other		<u>1,212,334</u>
Total for agency funds		\$ <u>48,261,015</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Early Retirement</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance beginning of year	\$ 2,155,000	\$ 5,736	\$ 896,055	\$ 50,190	\$ 49,000	\$ 3,145,733	\$ 6,301,714
Increases			257,031	-		877,541	1,134,572
Decreases	<u>(705,000)</u>	<u>(5,736)</u>	<u>(318,643)</u>	<u>(10,104)</u>	<u>(20,098)</u>	<u>-</u>	<u>(1,059,581)</u>
Balance end of year	\$ <u>1,450,000</u>	\$ <u>-</u>	\$ <u>834,443</u>	\$ <u>40,086</u>	\$ <u>28,902</u>	\$ <u>4,023,274</u>	\$ <u>6,376,705</u>
Due within one year	\$ <u>720,000</u>	\$ <u>-</u>	\$ <u>383,374</u>	\$ <u>-</u>	\$ <u>12,442</u>	\$ <u>-</u>	\$ <u>1,115,816</u>

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: LONG-TERM LIABILITIES (Continued)

Notes Payable:

A summary of the County's June 30, 2016 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	<u>Series 2013</u> Issued December 4, 2013				<u>Series 2011A</u> Issued October 18, 2011			
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>		<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	
2017	2.00 %	\$ 290,000	\$ 17,800		1.45 %	\$ 365,000	\$ 5,292	
2018	2.00	295,000	12,000					
2019	2.00	305,000	6,100					
		<u>\$ 890,000</u>	<u>\$ 35,900</u>			<u>\$ 365,000</u>	<u>\$ 5,292</u>	

Year Ending June 30,	<u>Series 2012</u> Issued June 1, 2012				<u>Total</u>		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1.50 %	\$ 65,000	\$ 3,510	\$ 720,000	\$ 26,802	\$ 746,602	
2018	1.80	65,000	2,535	360,000	14,535	374,535	
2019	2.10	65,000	1,260	370,000	7,360	377,360	
		<u>\$ 195,000</u>	<u>\$ 7,305</u>	<u>\$ 1,450,000</u>	<u>\$ 48,497</u>	<u>\$ 1,498,497</u>	

During the year ended June 30, 2016, the County retired \$705,000 of general obligation capital loan notes.

On October 18, 2011, the County issued \$1,415,000 of General Obligation Crossover Refunding Capital Loan Notes, Series 2011A to advance refund the General Obligation Capital Loan Notes, Series 2007. The notes are due in varying annual installments each June 1, from June 1, 2014 through June 1, 2017, with an interest rate ranging from 1.45% to 2.00% due semiannually on June 1 and December 1. The County reduced its total debt services payments by \$43,854 and obtained an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$42,298. Future property tax levies are dedicated to the retirement of these notes.

The Des Moines County Regional Solid Waste Commission has agreed to pay the County for the principal and interest on the Series 2011A capital loan notes as they become due. The County reports a loan receivable in the Debt Service Fund that includes the principal outstanding on these general obligation capital loan notes.

NOTE 7: SHORT TERM DEBT

On July 1, 2015, the County issued a General Obligation Insurance Program Loan Agreement Anticipation Project Note for up to \$1,100,000. The note had a maturity date of June 30, 2016 and was a revolving line of credit. During the year ended June 30, 2016, they were advanced \$2,194,897, paid interest of \$1,507 and repaid \$2,196,404. The note was paid in full prior to June 30, 2016.

NOTE 8: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary except members with service before June 30, 2012, will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Sheriff, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriff, deputies and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60 percent of average salary after completion of 22 years of service, plus an additional 1.5 percent of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent of covered payroll for a total rate of 14.88 percent. The Sheriff, Deputies and the County each contributed 9.88 percent of covered payroll for a total rate of 19.76 percent. Protection occupation members contributed 6.56 percent of covered payroll and the County contributed 9.84 of covered payroll percent for a total rate of 16.40 percent.

The County's contributions to IPERS for the year ended June 30, 2016 were \$717,247.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$4,023,274 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's collective proportion was .0814348 percent, which was an increase of .002115 from their collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$295,540. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total – All Groups</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 60,698	\$ 60,513
Changes of assumptions	110,610	40,269
Net difference between projected and actual earnings on IPERS investments	-	492,114
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	-	294,063
County contributions subsequent to the measurement date	<u>717,247</u>	<u>-</u>
Total	\$ <u>888,555</u>	\$ <u>886,959</u>

\$717,247 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (295,261)
2018	(295,261)
2019	(295,261)
2020	181,097
2021	<u>(10,965)</u>
	\$ <u>(715,651)</u>

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rate of Salary Increase (effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28 %	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. Tips	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8: PENSION PLAN (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	\$ 8,439,671	\$ 4,023,274	\$ 300,142

IPERS' Fiduciary Net Position – Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the IPERS' – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016

NOTE 9: RISK MANAGEMENT

Des Moines County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2016 were \$265,865.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 9: RISK MANAGEMENT (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 158 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Employee Benefits Systems. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 72,725
Interest on net OPEB obligation	2,008
Adjustment to annual required contribution	<u>(1,071)</u>
Annual OPEB cost	73,662
Contributions made	<u>(83,766)</u>
Decrease in net OPEB cost	(10,104)
Net OPEB obligation beginning of year	<u>50,190</u>
Net OPEB obligation end of year	\$ <u>40,086</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$83,766 to the medical plan. Plan members eligible for benefits contributed \$38,129 or 45.5 percent of the premium costs.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ <u>48,500</u>	101.7%	\$ <u>62,343</u>
2015	\$ <u>71,613</u>	117.0%	\$ <u>50,190</u>
2016	\$ <u>73,622</u>	113.7%	\$ <u>40,086</u>

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$728,504 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$728,504. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,518,560 and the ratio of the UAAL to covered payroll was 8.6 percent. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit with linear proration actuarial cost method was used. The actuarial assumptions include a 4.00% discount rate based on the County's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate. An inflation rate of 3.0% is assumed for the purpose of this computation.

Mortality rates are from the SOA RPH-2014 Total Data set Mortality fully Generational with Scale MP-2014 Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries. They were adjusted to reflect the recent lower termination rates experienced by Des Moines County. Retirement rates used in the actuarial valuation were developed based upon recent Des Moines County experience.

Projected claim costs of the medical plan are \$581 (\$1,501 for retiree and spouse coverage) per month for retirees less than age 65. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level dollar amount over 30 years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

The County, in conjunction with the City of Burlington, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized by Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRAA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is partially self insured. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Des Moines County/City of Burlington Health Care Plan was \$913,988 at June 30, 2016. The plan had unaudited claims expense, after reinsurance reimbursement, of \$6,423,283 for the plan year ended June 30, 2016.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12: DES MOINES COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective January 21, 2014, includes the following member counties: Keokuk, Washington, Louisa, Jefferson, Henry, Van Buren, Lee and Des Moines County, Iowa. The financial activity of Des Moines County, Iowa's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link for the year ended June 30, 2016 as follows:

Revenues:		
Property and other county tax		\$ 1,233,747
Intergovernmental revenues:		
State tax credits	\$ 126,625	
Mental health and disability services transition	<u>17,331</u>	143,956
Miscellaneous		<u>18,256</u>
Total revenues		<u>1,395,959</u>
Expenditures:		
Services to persons with:		
Mental illness	1,114,882	
Intellectual disabilities	<u>304,626</u>	1,419,508
General administration		
Direct administration	122,017	
County provided services	<u>69</u>	<u>122,086</u>
Total expenditures		<u>1,541,594</u>
Excess of revenues over expenditures		(145,635)
Fund balance beginning of the year		<u>3,266,314</u>
Fund balance end of the year		\$ <u>3,120,679</u>

NOTE 13: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2016 the County had signed construction contracts that are summarized below:

Total commitments	\$ 2,370,821
Less amounts paid or accrued	<u>(1,734,691)</u>
Remaining commitments	\$ <u>636,130</u>

The remaining balance at June 30, 2016 will be paid as work on the projects progress.

NOTE 14: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there were two issues of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$43,754,386.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 15: NEW ACCOUNTING PRONOUNCEMENT

The County adopted fair value guidance as set forth in Governmental Accounting Standards Boards Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statement.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 20, 2017, the date the financial statements were available to be issued. Subsequent to June 30, 2016, the County issued \$1,250,000 of general obligation notes.

REQUIRED SUPPLEMENTARY INFORMATION

DES MOINES COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

		<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other county tax	\$ 15,047,991	\$ 14,693,348	\$ 14,693,348	\$ 354,643
Interest and penalty on property tax	120,942	130,800	130,800	(9,858)
Intergovernmental	6,915,848	6,313,431	6,775,375	140,473
Licenses and permits	53,402	49,400	49,400	4,002
Charges for service	1,049,245	963,463	963,463	85,782
Use of money and property	202,544	177,409	177,409	25,135
Miscellaneous	521,273	387,607	387,607	133,666
Total receipts	<u>23,911,245</u>	<u>22,715,458</u>	<u>23,177,402</u>	<u>733,843</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	6,186,404	6,528,171	6,634,171	447,767
Physical health and social services	1,408,560	1,674,256	1,822,611	414,051
Mental health	1,970,031	2,457,789	2,457,789	487,758
County environment and education	1,288,820	1,752,801	1,752,801	463,981
Roads and transportation	4,915,195	5,607,416	5,885,077	969,882
Governmental services to residents	973,765	1,040,591	1,040,591	66,826
Administration	3,153,754	3,192,421	3,243,421	89,667
Debt service	2,949,366	2,956,152	2,956,152	6,786
Capital projects	1,523,258	1,725,535	3,114,406	1,591,148
Total disbursements	<u>24,369,153</u>	<u>26,935,132</u>	<u>28,907,019</u>	<u>4,537,866</u>
<u>OTHER FINANCING SOURCES, NET:</u>	<u>2,194,897</u>	<u>2,207,066</u>	<u>2,207,066</u>	<u>(12,169)</u>
Excess (deficiency) of receipts over (under) disbursements	1,736,989	(2,012,608)	(3,522,551)	5,259,540
<u>BALANCE - Beginning of year</u>	<u>12,423,077</u>	<u>9,182,287</u>	<u>9,182,287</u>	<u>3,240,790</u>
<u>BALANCE - End of year</u>	\$ <u>14,160,066</u>	\$ <u>7,169,679</u>	\$ <u>5,659,736</u>	\$ <u>8,500,330</u>

DES MOINES COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 23,911,245	\$ (453,241)	\$ 23,458,004
Expenditures	24,369,153	2,284,789	22,084,364
Other financing sources net	<u>2,194,897</u>	<u>(2,194,897)</u>	
Net	1,736,989	(363,349)	1,373,640
Beginning fund balance	<u>12,423,077</u>	<u>1,163,779</u>	<u>13,586,856</u>
Ending fund balance	\$ <u>14,160,066</u>	\$ <u>800,430</u>	\$ <u>14,960,496</u>

DES MOINES COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2016

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,971,887. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

DES MOINES COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.0814348 %	0.0793194 %
County's proportionate share of the net pension liability	\$ 4,023,274	\$ 3,145,733
County's covered-employee payroll	\$ 7,763,520	\$ 7,907,374
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.82 %	39.78 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DES MOINES COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 3 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 717,247	\$ 716,864	\$ 730,044
Contributions in relation to the statutorily required contribution	<u>(717,247)</u>	<u>(716,864)</u>	<u>(730,044)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 7,799,648	\$ 7,763,520	\$ 7,907,374
Contributions as a percentage of covered-employee payroll	9.20 %	9.23 %	9.23 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

DES MOINES COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments

DES MOINES COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	\$ <u>-</u>	\$ <u>395,572</u>	\$ <u>395,572</u>	0.00%	\$ <u>7,500,000</u>	5.27%
2010	July 1, 2008	\$ <u>-</u>	\$ <u>395,572</u>	\$ <u>395,572</u>	0.00%	\$ <u>7,700,000</u>	5.14%
2011	July 1, 2008	\$ <u>-</u>	\$ <u>395,572</u>	\$ <u>395,572</u>	0.00%	\$ <u>7,900,000</u>	5.01%
2012	July 1, 2011	\$ <u>-</u>	\$ <u>593,301</u>	\$ <u>593,301</u>	0.00%	\$ <u>7,658,393</u>	7.75%
2013	July 1, 2011	\$ <u>-</u>	\$ <u>593,301</u>	\$ <u>593,301</u>	0.00%	\$ <u>7,492,668</u>	7.92%
2014	July 1, 2011	\$ <u>-</u>	\$ <u>593,301</u>	\$ <u>593,301</u>	0.00%	\$ <u>7,578,876</u>	7.83%
2015	July 1, 2014	\$ <u>-</u>	\$ <u>728,504</u>	\$ <u>728,504</u>	0.00%	\$ <u>8,096,587</u>	9.00%
2016	July 1, 2014	\$ <u>-</u>	\$ <u>728,504</u>	\$ <u>728,504</u>	0.00%	\$ <u>8,518,560</u>	8.55%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

DES MOINES COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Special Revenue</u>		
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Total</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 26,917	\$ 20,448	\$ 47,365
Receivables:			
Accounts receivable	-	573	573
Accrued interest	2	1	3
TOTAL ASSETS	\$ 26,919	\$ 21,022	\$ 47,941
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
None	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	26,919	21,022	47,941
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,919	\$ 21,022	\$ 47,941

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue</u>		
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Total</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 22,223	\$ -	\$ 22,223
Charges for service	-	6,620	6,620
Use of money and property	16	4	20
Total revenues	<u>22,239</u>	<u>6,624</u>	<u>28,863</u>
<u>EXPENDITURES:</u>			
Operating:			
Governmental services to residents	-	413	413
Total expenditures	<u>-</u>	<u>413</u>	<u>413</u>
Excess of revenues over expenditures	22,239	6,211	28,450
<u>FUND BALANCES</u> - Beginning of year	<u>4,680</u>	<u>14,811</u>	<u>19,491</u>
<u>FUND BALANCES</u> - End of year	\$ <u>26,919</u>	\$ <u>21,022</u>	\$ <u>47,941</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	<u>County Offices</u>	<u>Corporations</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ -	\$ 149,835
Other County officials	183,495	-
Receivables:		
Accounts receivable	-	-
Accrued interest	-	-
Property tax:		
Delinquent	-	71,331
Succeeding year	-	18,005,922
Due from other governments	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>183,495</u>	\$ <u>18,227,088</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	50,752	18,227,088
Compensated absences	-	-
Trusts payable	132,743	-
	<u>132,743</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>183,495</u>	\$ <u>18,227,088</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 2,796	\$ 210,868	\$ 15,865
-	-	-
-	-	-
-	-	-
1,366	89,874	7,153
344,835	22,686,832	1,805,699
-	7,315	-
<u>\$ 348,997</u>	<u>\$ 22,994,889</u>	<u>\$ 1,828,717</u>
\$ -	\$ -	\$ -
348,997	22,994,889	1,828,717
-	-	-
-	-	-
<u>\$ 348,997</u>	<u>\$ 22,994,889</u>	<u>\$ 1,828,717</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ 10,305	\$ 1,782,933
Other County officials	-	-
Receivables:		
Accounts receivable	-	150
Accrued interest	-	-
Property tax:		
Delinquent	-	2,286
Succeeding year	-	577,065
Due from other governments	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>10,305</u>	\$ <u>2,362,434</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 545
Due to other governments	10,305	2,323,643
Salaries and benefits payable	-	4,374
Compensated absences	-	33,872
Trusts payable	-	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>10,305</u>	\$ <u>2,362,434</u>

Schedule 3 (Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ 2,562	\$ 1,036,727	\$ 2,547	\$ 1,098,623	\$ 4,313,061
-	-	-	-	183,495
-	-	-	48,453	48,603
-	-	-	304	304
1,129	-	-	35	173,174
284,929	-	-	8,948	43,714,230
-	-	-	78,751	86,066
<u>\$ 288,620</u>	<u>\$ 1,036,727</u>	<u>\$ 2,547</u>	<u>\$ 1,235,114</u>	<u>\$ 48,518,933</u>
\$ -	\$ -	\$ -	\$ 74,177	\$ 74,722
288,620	1,036,727	2,547	1,148,730	48,261,015
-	-	-	3,023	7,397
-	-	-	9,184	43,056
-	-	-	-	132,743
<u>\$ 288,620</u>	<u>\$ 1,036,727</u>	<u>\$ 2,547</u>	<u>\$ 1,235,114</u>	<u>\$ 48,518,933</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	<u>Corporations</u>
Balances beginning of year	\$ <u>196,623</u>	\$ <u>18,262,934</u>
Additions:		
Property and other County tax	-	15,711,164
E911 surcharge	-	-
State tax credits	-	1,869,955
Assessments	-	-
Office fees and collections	460,112	-
Auto licenses, use tax and postage	-	-
Trusts	1,493,100	-
Miscellaneous	-	-
Total additions	<u>1,953,212</u>	<u>17,581,119</u>
Deductions:		
Agency remittances:		
To other funds	22,063	-
To other governments	440,233	17,616,965
Trusts paid out	<u>1,504,044</u>	-
Total deductions	<u>1,966,340</u>	<u>17,616,965</u>
Balances end of year	\$ <u>183,495</u>	\$ <u>18,227,088</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ <u>330,353</u>	\$ <u>23,263,735</u>	\$ <u>1,751,233</u>
324,871	20,415,335	1,637,071
17,417	2,171,699	159,213
-	-	-
-	-	-
-	-	-
-	-	-
<u>342,288</u>	<u>22,587,034</u>	<u>1,796,284</u>
323,644	22,855,880	1,718,800
<u>323,644</u>	<u>22,855,880</u>	<u>1,718,800</u>
\$ <u>348,997</u>	\$ <u>22,994,889</u>	\$ <u>1,828,717</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

<u>ASSETS AND LIABILITIES</u>	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>	<u>Agricultural Extension Education</u>
Balances beginning of year	\$ <u>17,262</u>	\$ <u>2,221,074</u>	\$ <u>279,792</u>
Additions:			
Property and other County tax	-	520,719	258,300
E911 surcharge	-	-	-
State tax credits	-	54,869	25,552
Assessments	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	<u>859,332</u>	<u>413</u>	<u>-</u>
Total additions	<u>859,332</u>	<u>576,001</u>	<u>283,852</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	<u>866,289</u>	<u>434,641</u>	<u>275,024</u>
Trusts paid out	-	-	-
Total deductions	<u>866,289</u>	<u>434,641</u>	<u>275,024</u>
Balances end of year	\$ <u><u>10,305</u></u>	\$ <u><u>2,362,434</u></u>	\$ <u><u>288,620</u></u>

<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ <u>981,062</u>	\$ <u>9,660</u>	\$ <u>1,262,227</u>	\$ <u>48,575,955</u>
-	-	47,151	38,914,611
-	-	144,190	144,190
-	-	460	4,299,165
-	41,851	-	41,851
-	-	-	460,112
11,147,027	-	-	11,147,027
-	-	1,391,707	2,884,807
-	-	1,436,862	2,296,607
<u>11,147,027</u>	<u>41,851</u>	<u>3,020,370</u>	<u>60,188,370</u>
337,577	-	-	359,640
10,753,785	48,964	1,601,226	56,935,451
-	-	1,446,257	2,950,301
<u>11,091,362</u>	<u>48,964</u>	<u>3,047,483</u>	<u>60,245,392</u>
\$ <u>1,036,727</u>	\$ <u>2,547</u>	\$ <u>1,235,114</u>	\$ <u>48,518,933</u>

DES MOINES COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>Modified Accrual Basis</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>REVENUES:</u>			
Property and other county tax	\$ 13,084,754	\$ 13,409,331	\$ 13,316,119
Interest and penalty on property tax	120,941	122,487	160,934
Local option sales tax	1,943,396	1,827,816	1,650,432
Intergovernmental	6,513,998	6,563,358	6,087,227
Licenses and permits	53,764	73,235	70,557
Charges for service	968,033	941,341	911,329
Use of money and property	221,431	227,634	148,348
Miscellaneous	<u>551,687</u>	<u>846,739</u>	<u>456,009</u>
Total	\$ <u>23,458,004</u>	\$ <u>24,011,941</u>	\$ <u>22,800,955</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 6,200,944	\$ 6,168,398	\$ 6,292,096
Physical health and social services	1,419,318	1,319,041	1,377,653
Mental health	1,991,273	1,604,536	1,418,848
County environment and education	1,350,160	1,680,979	1,757,044
Roads and transportation	4,332,567	5,250,184	5,244,045
Governmental services to residents	979,872	960,095	986,199
Administration	3,161,760	3,004,343	2,971,875
Debt service	753,948	750,912	751,475
Capital projects	<u>1,894,522</u>	<u>1,703,397</u>	<u>818,337</u>
Total	\$ <u>22,084,364</u>	\$ <u>22,441,885</u>	\$ <u>21,617,572</u>

* Local option sales tax included in Property and other taxes

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 13,218,243	\$ 14,508,571	\$ 14,295,704	\$ 13,714,359	\$ 12,258,888	\$ 12,164,999	\$ 11,965,029
148,982	120,038	164,529	163,033	139,080	155,192	146,154
1,670,198	*	*	*	*	*	*
6,156,831	8,329,812	8,618,044	9,556,689	8,878,429	7,437,076	8,985,811
71,584	71,096	61,673	58,191	49,801	46,595	46,448
913,144	764,731	904,936	846,341	839,550	889,796	878,146
131,622	297,802	174,023	185,716	246,963	562,031	727,814
520,241	375,060	468,323	370,777	771,771	555,803	526,168
<u>\$ 22,830,845</u>	<u>\$ 24,467,110</u>	<u>\$ 24,687,232</u>	<u>\$ 24,895,106</u>	<u>\$ 23,184,482</u>	<u>\$ 21,811,492</u>	<u>\$ 23,275,570</u>
\$ 6,076,535	\$ 6,513,998	\$ 6,142,696	\$ 5,944,231	\$ 5,587,657	\$ 6,132,958	\$ 5,119,567
1,387,670	1,301,073	1,476,490	1,716,480	2,249,501	2,722,094	2,193,961
1,396,397	5,012,235	4,479,644	4,146,119	3,964,269	4,331,182	3,692,161
1,803,483	1,538,878	1,524,908	1,029,673	1,293,605	1,505,475	1,714,377
4,514,002	4,326,614	4,712,600	4,331,366	4,312,514	4,212,851	3,026,353
955,650	977,838	947,329	983,904	931,875	867,939	702,324
3,279,949	3,255,349	3,213,391	3,416,506	3,132,367	3,360,284	4,335,439
2,122,743	702,244	682,120	680,164	578,263	523,361	198,327
688,008	1,264,333	2,881,161	3,010,231	1,445,472	1,273,863	1,820,955
<u>\$ 22,224,437</u>	<u>\$ 24,892,562</u>	<u>\$ 26,060,339</u>	<u>\$ 25,258,674</u>	<u>\$ 23,495,523</u>	<u>\$ 24,930,007</u>	<u>\$ 22,803,464</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Des Moines County, Iowa:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Des Moines County, Iowa's basic financial statements and have issued our report thereon dated February 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Des Moines County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Des Moines County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Des Moines County, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the county's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 16-II-A that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Des Moines County, Iowa's Response to Findings

Des Moines County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Des Moines County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the county's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa
February 20, 2017

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

16-II-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- 1) Sheriff (Civil) – Checks are not signed by an individual who does not participate in the preparation of the checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Subsequent to June 30, 2016, the Sheriffs' department instituted changes to properly segregate duties.

Conclusions – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

- 16-III-A Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.
- 16-III-B Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 16-III-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 16-III-D Business transactions – No business transactions between the County and County officials or employees were noted.
- 16-III-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- 16-III-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 16-III-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 16-III-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 16-III-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.